

**State of Idaho**  
**Small Employer Health Reinsurance Program &**  
**Individual High-Risk Reinsurance Pool**

**Board of Directors Minutes**  
Department of Insurance  
February 26, 2021

**Board Members Present**

Hyatt Erstad, Chairman, Erstad & Company  
Dean Cameron, Director, Idaho Department of Insurance  
Norm Varin, Vice Chairman, PacificSource Health Plans  
Dr. Chris Pickford, Consumer Representative  
David Pankey, Regence BlueShield of Idaho  
Trent Nate, Select Health  
Mike Reynoldson, BlueCross of Idaho

**Board Members Not Present**

Senator Jim Guthrie, Idaho State Senate  
Janice Fulkerson, Board Secretary, Consumer Representative

**Others In Attendance**

Laren Walker, River 9  
Diane Kopecky, River 9  
Jason Lindstrom, Eide Bailly  
Jodi Daugherty, Eide Bailly  
Bret Busacker, Holland & Hart  
Bruce Mohr, Buffington Mohr McNeil  
Robert Schmidt, Milliman  
Melissa McVaugh, Mountain Health Co-op  
David Slonaker, Mountain Health Co-op

Note: during the meeting there were members of the public that attended but did not identify themselves.

**1. Minutes of the Previous Meeting**

The meeting was called to order by Hyatt Erstad at 12:02 pm. He also welcomed Trent Nate representing Select Health to the Board.

*A motion was made to approve the minutes of the October 29th, 2020 meeting of the Board of the Idaho Small Employer Reinsurance Program ("Program") and Idaho Individual High-Risk Reinsurance Pool ("Pool"). The motion was seconded and carried.*

## 2. Actuarial Committee Report

Robert discussed the Actuarial Committee meeting minutes from the meeting that was held on February 12, 2021 to estimate the IBNR as of December 31, 2020 for the Idaho Small Employer Reinsurance Program, the Individual High-Risk Pool, and the Condition Based Reinsurance Pool.

The 2020 carrier IBNR estimate for the Small Employer Program was \$11,235. For conservatism to recognize volatility due to very small population size, the estimate was rounded up to \$15,000. It was noted in the discussion that the members from the last carrier in the pool are planning to end their enrollment at their next anniversary date. The committee elected to recommend an IBNR at \$15,000, resulting in an estimated 306% loss ratio.

The 2020 carrier IBNR estimate for the Individual High-Risk Pool was \$47,732. The committee recommended to set IBNR at \$60,000 which, similar to the Small Employer Program, some conservatism was added to the estimate; this results in a 142% loss ratio.

The 2020 carrier IBNR estimate for the Condition Based Pool was \$2,837,855. One carrier provided a zero-dollar estimate in the process. The committee estimated an IBNR of \$75,000 for that carrier and recommended adding a 10% margin and rounding up to \$3,250,000 for the 2020 IBNR.

The Carrier Premium IBNR estimate for the Condition Based Pool was \$70,636, last years IBNR was \$100,000 and premiums came in at \$292,380. The committee recommended a Premium IBNR of \$275,000.

*A motion to adopt the minutes from that meeting and accept the four IBNR recommendations from the actuarial committee was made, seconded, and carried.*

## 3. Financial Statement Presentation

Jason Lindstrom presented the Board with the draft audited financial packets for the High-Risk Pool (“Pool”) and the Small Employer Program (“Program”) for the 2020 Financial Year. He stated that their opinion is an unqualified opinion.

Pool Financial Report

- **Balance sheet:** Consistent with prior years
- **Income Statement:** Premiums went down due to the decrease in lives, but claims were slightly higher. The premium tax revenue was \$2 million more than prior year.
- **Statement of Cash flows:** Nothing out of the ordinary
- **Notes:** Page 11 note 5, the provision for IBNR table was explained to the board. Also wanted to mention Note 9 Uncertainties since it is a new note due to COVID-19.
- **Supplemental Information:** Internal controls that they are required to report, that is consistent as prior years in the preparation of the financial statements.
- **Required communications:** The communications letter states that Financial statements are the responsibility of management to review and approve them and that the auditors were comfortable with the IBNR estimates.

Jason Lindstrom presented the Board with the draft audited financial packets for the Small Employer Program (“Program”) for the 2020 Year. He stated that their opinion is an unqualified opinion which is the appropriate opinion.

#### Program Financial Report

- **Balance sheet:** Consistent with prior years
- **Income Statement:** Premiums went down due to the decrease in lives, claims were also down.
- **Statement of Cash flows:** Nothing out of the ordinary
- **Notes:** Note 4, the provision for IBNR table was explained to the board. Also wanted to mention Note 8 Uncertainties since it is a new note due to COVID-19.
- **Supplemental Information:** Internal controls that they are required to report, that is consistent as prior years in the preparation of the financial statements.
- **Required communications:** The communications letter states that Financial statements are the responsibility of management to review and approve them and that the auditors were comfortable with the IBNR estimates.

Brett Busacker did ask the question to Eide Bailly of what managements role is on the accuracy for the financial statements. Jodi explained that management also includes River 9 due to the contracts.

*A motion was made to approve the High-Risk Pool’s and Small Employers audited financial statements as presented. The motion was seconded and carried.*

A final copy of the audited financials will be forwarded to the Board when available.

#### 4. Supplemental Information

Laren Walker then presented the supplemental information for the Pool and Program. For the Condition-based pool all lives are terminated at the end of each calendar year. He noted that we are around 200 lives less than the prior year but that was expected due to

the expansion of Medicaid. On the Small Employer Program there are only two lives remaining in the program and they will likely be removed from the program during 2021.

## **5. Investment Report**

Bruce shared a chart and comments related to the recent increases in intermediate and longer-term interest rates relative to short term rates. The bond market has become concerned over the inflationary implications of fiscal stimulus in the financial system from the covid responses last year and the current package being discussed in Congress. While the rate impact has not created an opportunity for High-Risk investments the impact of higher intermediate rates and increased stock market volatility will remain in the media and ultimately may force the Federal Reserve to adjust short term interest rates.

## **6. 1332 Waiver Update**

Director Cameron did not have an update on the waiver.

## **7. Legislative Update from the DOI**

The DOI is tracking around 30 bills that may impact the insurance industry.

An accreditation bill regarding reinsurance not related to the individual or small employer programs supported by the Board, but rather related to reinsurance purchased by insurers, has passed the house and will be on the senate floor next week.

An NAIC cyber security bill is on the agenda for the House Business committee. This is an important bill for all types of insurance.

Mike Reynoldson mentioned there is a special enrollment period (SEP) planned for the month of March to recognize similar open enrollments across the country. Director Cameron added that in the national reconciliation legislation, there are proposed changes to the advance premium tax credit (APTC), so that may increase the number of those who may want to purchase coverage.

## **8. Additional Information**

### **Next Meeting**

The next meeting will be on May 12, 2021 at 12:00, scheduled as a teleconference at this time, unless something changes.

There being no further business, on motion duly made, seconded, and carried, the meeting was adjourned at 1:20 PM MDT.

Respectfully Submitted,

DRAFT